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PARIS AND ROME FOR ABMC

E.O. 12958: DECL: 03/30/2019
TAGS: [PREL](#) [ABMC](#) [OFDP](#) [ODIP](#) [TS](#)
SUBJECT: AMERICAN CEMETERY PROJECT HELD HOSTAGE BY GOT

REF: TUNIS 182

Classified By: Ambassador Robert F. Godec, Reason 1.5 (b) and (d)

¶1. (SBU) Summary: The Government of Tunisia is holding a major improvement project at the North Africa Cemetery and Memorial financially hostage by denying a value added tax (VAT) exoneration request valued at 220,000 Tunisian Dinars (about \$160,000) until the US Mission begins to deduct and report taxes to the Ministry of Finance. Active lobbying to the contrary has not yet budged the GOT position. In the meantime, the contractor, under direct pressure from the Ministry of Finance, has announced its intention to stop work unless an exemption document is produced or VAT is paid. Unless the matter is resolved within the next two weeks, the contractor intends to stop work. We believe that the Department should include this issue as it addresses the tax issues faced by the American Cooperative School in Tunis (reftel). A major difference between the two matters is that the cemetery is an integral part of the US Mission in Tunisia the status of which is not in doubt. End Summary

¶2. (SBU) Last fall the Embassy submitted a routine VAT exemption request on behalf of the American Battle Monuments Commission (ABMC) involving an irrigation project valued approximately \$1 million. The VAT exemption is valued at 220,000 Tunisian dinars (currently about \$160,000). The response from the Ministry, dated January 12 and received after an unusually long delay, granted the exemption provided that the Mission acquire a fiscal identification number and begin deducting and reporting incomes taxes of Embassy LES. In addition, Ministry of Finance officials informed us separately that they wanted the Embassy to deduct taxes from lease payments and to report the names of the landlords with whom we had negotiated the leases.

¶3. (SBU) After consultation with L, the Mission responded on February 12 that we were unable to comply with the desires of the GOT since it impinged upon the Mission's rights and obligations under the Vienna Convention on Diplomatic Relations, that the Tunisians had no such obligations in the United States and that the United States did not carry out what the GOT was requesting in any other country. The Embassy formally asked that the issue of VAT for ABMC be delinked from each other and that the VAT exoneration be granted in a normal fashion, especially given that the cemetery is an integral part of the US Mission in Tunisia.

¶4. (SBU) In a subsequent meeting between the DCM and the Director for Protocol at the MFA, the latter blamed the Ministry of Finance (MOF) for the situation, saying that MOF was attempting to crack down on various problems involving foreign missions and that Protocol was attempting to organize a high level meeting between MFA and MOF to break through the deadlock. The Director of Protocol described the problem as resolvable but did not give a timeframe.

15. (SBU) The contractor hired by ABMC to undertake the irrigation project passed word that the MOF was planning an audit of its accounts, with particular emphasis on VAT matters. The contractor has stated in a formal letter to ABMC that it will need to cease work unless ABMC provides a VAT exemption certificate or pays the VAT within the next two weeks.

16. (C) Earlier this month, the Ambassador wrote the Minister of Finance, asking for his direct intervention to resolve the issue. There has been no reply. The Ambassador has also discussed the cemetery tax issues with senior MFA officials on several occasions, mostly recently March 26 with MFA Chief Staff Mahmoud Khemiri and Special Assistant to the Foreign Minister Mehrez Ben Rhouma. In that meeting, the Ambassador emphasized that the cemetery is an integral part of the US Embassy and has been since Tunisia's independence. The character of the cemetery is "completely diplomatic," he emphasized. The Ambassador noted that the United States does not withhold taxes from the paychecks of local employees. The conditions that the Finance Ministry is trying to impose, he said, are in violation with the Vienna Convention on Diplomatic Relations. The Ambassador asked again that the GOT immediately issue the VAT exemption and stressed that failing to do would not be well received in Washington at the beginning of a new Administration. It could also provoke a negative reaction in the Congress, he observed.

17. (C) Comment: This tax issue has reached the point where it will damage the operations of the cemetery and leave it looking in disrepair. This is not how this consecrated ground should be treated and would be a major departure from the respectful and helpful attitude of the GOT since the site was completed in 1960 on land donated by the GOT under President Bourghiba. We need to resist the current attempt to divide one piece of the Mission from the rest and emphasize the importance of the site to the United States. Coming in parallel with the American school issue, the events involving the cemetery raise once again the question of GOT motivations. End Comment
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